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Message Text

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ACTION NEA-10

INFO OCT-01 ISO-00 AID-05 CIAE-00 COME-00 EB-07 FRB-03

INR-07 NSAE-00 USIA-06 TRSE-00 XMB-02 OPIC-03 SP-02

CIEP-01 LAB-04 SIL-01 OMB-01 NSC-05 SS-15 STR-04

CEA-01 L-03 H-02 DODE-00 PA-01 PRS-01 /085 W
---------- 043581
R 030350Z APR 76
FM AMEMBASSY ISLAMABAD
TO SECSTATE WASHDC 4843
INFO AMCONSUL KARACHI
AMCONSUL LAHORE
AMEMBASSY TEHRAN

C O N F I D E N T I A L ISLAMABAD 3363

E.O. 11652: GDS
TAGS: EFIN, PK
SUBJECT: POSSIBLE $300 MILLION COMMERCIAL LOAN FOR
PAKISTAN; PAK BALANCE OF PAYMENTS

REFERENCE: ISLAMABAD 3001

SUMMARY: VISITING CITIBANK OFFICIAL HAS TOLD US CONFIDENTIALLY
THAT CITIBANK
IS GETTING TOGETHER A CONSORTIUM OF BANKS TO MAKE A $300
MILLION LOAN TO PAKISTAN, TO BE GUARANTEED BY IRAN. OUR
MOST RECENT BALANCE OF PAYMENTS ESTIMATES SUGGEST THAT A LOAN
OF THIS SIZE IS PROBABLY INTENDED TO COVER THE PAKISTANI'S
FY 1977 IMPORT GAP. WE NOW PROJECT THAT PAKISTAN WILL
FINISH THE CURRENT FISCAL YEAR WITH AN OVERALL BALANCE OF
PAYMENTS DEFICIT SLIGHTLY OVER $200 MILLION, TO BE COVERED
BY IMF DRAWINGS AND A SMALL DROP IN RESERVES. END SUMMARY.

1. VISITING VICE CHAIRMAN A. G. COSTANZO OF CITIBANK
TOLD DCM ON CONFIDENTIAL BASIS APRIL 1 THAT CITIBANK WAS
PUTTING TOGETHER A CONSORTIUM OF BANKS TO MAKE A $300
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MILLION LOAN TO PAKISTAN WHICH WILL BE GUARANTEED BY

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IRAN. ALL THE ARRANGEMENTS HAD NOT YET BEEN FINALIZED,
BUT COSTANZO LEFT THE IMPRESSION THAT THE LOAN WAS
IMMINENT. HE DID NOT TELL US WHAT THE TERMS WERE TO BE.

2. COSTANZO SAID THAT LOAN WOULD BE INTENDED TO COVER
A PROJECTED $300 MILLION GAP IN PAKISTAN'S FY/76 BALANCE
OF PAYMENTS. OUR OWN RECENTLY REVISED BALANCE OF PAYMENTS
ESTIMATES, WHICH ARE DETAILED BELOW, SUGGEST THAT THE GAP
IS MORE LIKELY TO OCCUR IN PAKISTAN'S FY 77 (WHICH BEGINS
JULY 1, 1976).

3. OUR PRESENT ESTIMATE OF PAKISTAN'S FY/76 BALANCE OF
PAYMENTS IS AS FOLLOWS:

EXPORTS 1050
IMPORTS (CIF) 2200
TRADE GAP - 1150
INVISIBLES PLUS 150
(REMITTANCES PLUS 280)
(GOVERNMENT N.I.E. - 100)
(INVESTMENT - 5)
(FREIGHT - 25)
DEBT SERVICE - 364

GAP - 1364

AID DISBURSEMENTS 943
IRANIAN ADVANCE 150
SHORT TERM CREDITS
THROUGH 3/31 45-55

DEFICIT 216-226

FINANCED BY:
IMF THROUGH 3/31 98
POSSIBLE FURTHER IMF
DRAWINGS: 115

TOTAL IMF 213
RESERVE DRAWDOWN $3-13 MILLION
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4. THE AID DISBURSEMENT FIGURE WAS DETAILED IN REFTEL.
THE IRANIAN ADVANCE REFERS TO OUR UNDERSTANDING THAT THE
GOI DISBURSED TO THE PAKISTANIS IN FEBRUARY $150 MILLION,
REPRESENTING A NEW LOAN FOR MILITARY PROCUREMENT. THE
SUBSTANTIAL ($230 MILLION) JUMP INPAKISTAN'S RESERVES
DURING FEBRUARY TENDS TO CONFIRM THAT SUCH A DISBURSEMENT
WAS MADE. THE REMAINING UNDISBURSED $150 MILLION WILL

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APPARENTLY BE DISBURSED EARLY IN FY/1977.

5. THE FY/77 BALANCE OF PAYMENTS PROJECTIONS PUBLISHED IN THE RECENT IBRD ECONOMIC REPORT ON PAKISTAN SUGGEST, HOWEVER, THAT A COMMERCIAL LOAN OF THE SIZE CONTEMPLATED MIGHT WELL BE NEEDED TO COVER PAKISTAN'S FOREIGN EXCHANGE NEEDS IN THAT YEAR. THIS WOULD BE PARTICULARLY TRUE IF AID FLOWS FELL BELOW THE BANK'S PROJECTION OF $1,071 MILLION OR IF MILITARY PURCHASES INCREASED.

6. IT IS INTERESTING THAT THE IRANIANS ARE APPARENTLY WILLING TO GUARANTEE A LOAN OF THIS SORT - AN INGENIOUS WAY FOR THE IRANIAN GOVERNMENT TO HELP AUGMENT PAKISTAN'S FOREIGN EXCHANGE RESOURCES WITHOUT DEPLETING THEIR OWN.
BYROADE

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